



Brian J. Stiger
Director

**COUNTY OF LOS ANGELES
DEPARTMENT OF
CONSUMER AND BUSINESS AFFAIRS**

Members of the Board

Hilda L. Solis
Mark Ridley-Thomas
Sheila Kuehl
Don Knabe
Michael D. Antonovich

"To Enrich Lives Through Effective and Caring Service"

Date: March 11, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: 
Brian J. Stiger
Director of Consumer and Business Affairs

**REPORT WITH RECOMMENDATIONS TO TRACK LSBE SUBCONTRACTORS THAT
PERFORM WORK ON BEHALF OF JOC-AWARDED CONTRACTORS (ITEM NO. 25,
AGENDA OF FEBRUARY 9, 2016)**

On February 9, 2016, a motion by Supervisor Knabe directed the Director of the Department of Consumer and Business Affairs (DCBA), in consultation with other pertinent departments, to recommend an interim process to track Local Small Business Enterprise (LSBE) subcontractors that perform work on behalf of Job Order Contract-awarded contractors until a long-term solution can be implemented.

The motion also directed DCBA and other pertinent departments to provide recommendations on how to use County JOCs to promote participation in the County's LSBE program.

I. Introduction

The Job Order Contract (JOC) process is a competitive bidding process wherein the County contracts with the lowest responsive and responsible bidder for repair, alteration, modernization, rehabilitation of buildings or structures, or other repetitive building trades work to be performed according to unit prices. JOC contracts are codified in California Public Contract Code section 20128.5 which authorizes the Board of Supervisors to award individual annual contracts that fall under a threshold amount (currently \$4.5 million). This is a flexible, cost-effective contracting method for County departments.

JOC contractors may be subcontracting portions of the work to small businesses, which may include certified LSBEs; however, there is currently no system in place to track the prime contractor's expenditures to small business subcontractors. Additionally, existing

contracts do not have provisions requiring JOC contractors to track and report this information.

Your Board has made it a priority to increase the County's utilization of certified LSBEs. In order to establish a base line and cultivate meaningful data on the JOC expenditures paid to LSBE subcontractors, there must be effective and efficient tracking of subcontractor utilization. As such, tracking expenditures to subcontractors on JOC contracts is a key way to begin compiling this data.

II. Recommendations on a process to track LSBE subcontractors that perform work on behalf of these JOC-awarded contractors until the long-term solution can be implemented

Work Group

DCBA convened a work group consisting of representatives from the Department of Public Works, Internal Services Department, Community and Senior Services, Parks and Recreation, and the Community Development Commission to review the County's existing JOC contracts and determine how best to begin tracking JOC subcontractor information. The work group met three times to begin discussing best practices for collecting this data. During these meetings, the group agreed that a collective and uniform County approach was needed to solicit this information.

The work group recommends a three-phase approach that would provide short and long-term solutions. Phase One will include: (1) outreach to existing JOC contractors; (2) establishing a standardized manual tracking process to capture subcontractor data; (3) working with County Counsel to develop contract language requiring JOC contractors to provide subcontractor data; and (4) evaluating options for long-term solutions to capture this data.

Phase Two would involve: (1) implementing a manual process for tracking this data; and (2) identifying a long-term solution to capture this data.

Phase Three will be the implementation of an automated long-term solution for capturing subcontractor information.

Three departments currently issue the majority of JOC contracts: Department of Public Works (DPW)¹, Internal Services Department (ISD) and the Community Development Commission (CDC). As such, the work group decided that these three departments (hereinafter referred to as "participating departments") would spearhead the implementation of the initial phase of this project.

¹ DPW currently solicits JOC Contracts for Parks and Recreation. Parks then receives the invoices on the JOC contracts and processes payments.

Phase One

Outreach to JOC Contractors

On February 29, 2016, participating departments met with JOC contractors to inform them of the County's intent to implement a tracking process for subcontractor's LSBE expenditures. The JOC contractors were notified of the upcoming requirements, and asked to provide input from a vendor's perspective. While there were no objections or problems identified during the meeting, there were questions regarding the proposed process which is yet to be finalized.

Participating departments will continue to meet with affected JOC contractors during the implementation of Phase One to provide additional information prior to implementing a process.

Establishing a Standardized Manual Tracking Process

As previously noted, there is currently no system in place to track JOC expenditures to subcontractors. Accordingly, participating departments are developing a manual tracking process as an interim solution.

DCBA will work with participating departments to collect data upfront during the proposal process and throughout the duration of the contract. The information collected will include business name, contact information (address, phone number and email address), proposed expenditures paid to the business and whether the business is a registered LSBE (if known). Contractors will also regularly report back on the actual costs expended on their subcontractors. This information may be submitted to departments either as an invoice line item or a supplement included with their invoices. Alternately, participating departments may use other means of collecting this data, including use of existing data gathering mechanisms.

Participating department staff will cross-reference business names with the LSBE list to determine certification status. Staff will input this small business data into a report which will be provided to DCBA on a monthly basis. DCBA will use this information to report back quarterly to your Board on JOC contractor utilization of LSBEs.

Developing Contract Language

DCBA will coordinate with the work group and County Counsel to develop language which, upon Board approval, may be used as an amendment to existing and pending contracts. The approved language would also be included as a provision in all new JOC contracts for participating departments. These efforts are currently under way.

Evaluating Long-term Solutions

The work group will proceed with evaluating options to automate the initial manual tracking process.

Phase Two

1. Implement a Manual Tracking Process

As indicated in Phase One above, the participating departments will develop a manual tracking process. The target implementation date for the manual process is July 1, 2016.

2. Identifying a Long-term Solution

Participating departments will continue to work towards identifying long-term solutions that include exploring the feasibility of enhancing existing software to automate the tracking efforts.

Phase Three

An automated process will be implemented once a viable system and resources are identified.

III. Recommendations on how to use County JOCs to promote participation in the County's LSBE program

DCBA will work with the participating departments to leverage the JOC process to promote participation in the County's LSBE program. To this end, DCBA will provide participating departments LSBE program materials for distribution to JOC contractors. To the extent possible, participating departments will stress to JOC contractors how important LSBE utilization is to the County.

Additionally, DCBA will market the LSBE program directly to the JOC contractors to encourage use of LSBE certified subcontractors. DCBA will also work with the certified LSBEs to heighten their awareness of contracting opportunities with prime contractors.

The work group also recommended having the County recognize prime contractors that achieve the goal of 25% for LSBEs and/or significantly increase their use of LSBE subcontractors. The Small Business Commission (SBC) has also suggested implementing a similar program as part of the County's Utilization Motion. DCBA will coordinate with the SBC to develop a recognition program and include recognition certificates and/or scrolls for JOC contractors that achieve a minimum of 25% LSBE subcontractors.

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DCBA appreciates the opportunity to update your Board on the status of the new initiative to track LSBE utilization on JOC contracts. DCBA will submit an updated status report to your Board in 90 days.

Should you have any questions or need additional information, please contact me at your earliest convenience.